

## POS – Drug Rebate Operational Procedures

**Purpose:** The purpose of the Medicaid drug rebate program is to identify drugs dispensed, and request any associated rebate from, the manufacturers consistent with Federal regulations. Using the NDC code and the Drug Rebate Manufacturer Agreement data, the contractor determines totals, by manufacturer, of the amount of all drugs prescribed for Iowa Medicaid members covered by the agreement. Claims for pharmacies receiving drugs under the 340(b) program as identified by the Health Resource Services Administration (HRSA) are not included in the totals.

**Identification of Roles:** In Iowa, the Pharmacy Point of Sale (POS) contractor performs all drug rebate functions, as prescribed by State and Federal regulations. This contractor calculates the amount of rebate owed by each manufacturer and generates the respective invoices. As rebates are received, the contractor updates the rebate management system. The contractor also tracks drug manufacturer disputes, and resulting resolution, as part of their rebate management responsibility. If the Pharmacy Point of Sale (POS) contractor determines that there was an error with units submitted, the pharmacy will be contacted by the staff and asked to reverse and resubmit the claim for the correct quantity. The Pharmacy POS contractor provides the Medicaid Management Information System (MMIS) with feeds of pharmacy claims three times a week, for adjudication. MMIS provides the Pharmacy Point of Sale (POS) contractor verification of claims adjudication weekly for rebate collection. Updates to the Centers for Medicare & Medicaid Services (CMS) 64 financial tracking are also required to report drug rebate collections. The quarterly Drug Rebate Manufacturer Agreement data from CMS is processed as part of the drug rebate function.

**Performance Standards:** Be able to demonstrate annual savings in the total outlay for prescription drugs (including an explanation of the Department-approved methodology for calculating savings). [\$9.3 million in State Savings in SFY 2008 over a SFY 2004 base]

### Path of Business Procedure:

#### Step 1: Invoicing Manufacturers

- a. Manufacturers are invoiced for drug rebates quarterly. The Department of Human Services (DHS) contractor is responsible for storing and capturing data for management of the drug rebate program including maintaining a file of participating drug manufacturers, identifying claims subject to rebate collection, calculating the rebate amount and generating rebate invoices and reports. Quarterly invoices must be generated and mailed to manufacturers within 5 business days of the receipt of the CMS drug rebate tape using the following procedures:
  1. Calculate the drug rebate amount based on drug claims paid during the quarter.
  2. Process billings of all rebate claims subject to rebate collections and prepare and mail invoices to drug manufacturers. Include on the invoices submitted to manufacturers all of the following:

- a. State Identification
  - b. Rebate period and year for which the data applies
  - c. The National Drug Code (NDC) number
  - d. Total units paid for, by National Drug Code (NDC), during a rebate period
  - e. Product name ((Food and Drug Administration (FDA) registration name))
  - f. Total amount of rebate that the state claims for each National Drug Code (NDC)
  - g. Total number of prescriptions paid for during the rebate period by National Drug Code (NDC) number
  - h. Rebate amount per unit and the total amount paid during the rebate period by National Drug Code (NDC) number to verify rebate payment
3. Invoices for drug rebates are automatically downloaded into the accounting system after they have been processed. The invoices can be viewed and prepared for mailing in Crystal Reports using the following steps.
  - a. Open Crystal Reports and run an invoice report for the desired quarter.
  - b. The invoices are generated, along with mailing labels for the associated manufacturer.
  - c. Invoices can be printed, exported to a Portable Document Format (PDF) or burned on a compact disc (CD). Individual manufacturers will identify the format they need invoices in.
  - d. Package and mail invoices to the various manufacturers.  
**IMPORTANT:** This must be done within 5 business days of the invoices being loaded into the accounting system.
4. Point of Sale (POS) Unit will also be responsible for processing J-Code rebates:
  - a. Maintain a mechanism to identify drugs with Healthcare Common Procedure Coding System (HCPCS) J-codes by their NDCs (using a crosswalk for the J-codes and units) and bill manufacturers for rebates for these drugs.
  - b. When National Drug Codes (NDCs) are provided on the claim form, utilize the J-code, quantity billed, and National Drug Code (NDC) number to bill manufacturers for rebates on these drugs, using a crosswalk for the units.

#### Step 2: Processing Received Payments

- a. When manufacturers receive an invoice they will send payment to Iowa Medicaid Enterprises (IME) who will process the checks. The Senior Project Coordinator of the Point of Sale (POS) unit receives images of the checks along with remittance statements from manufacturers showing details of what each check was for. Once this information is received payment processing can begin. This includes the following:
  1. Obtain a completed Centers for Medicaid and Medicare Services (CMS) form 302, Remittance Advice Report, from each manufacturer within 30 calendar days of mailing the drug utilization information
  2. Follow-up by phone or mail, with each manufacturer who has not submitted a completed Remittance Advice Form within the 30-day time period

3. Maintain an accounts receivable system to track all paid and unpaid invoices and adjustments. This accounts receivable system must meet all Iowa and Department of Human Services (DHS) accounting requirements.
4. Log rebate checks into On-Base following deposit into Lockbox 3010195 at Wells Fargo in Des Moines, Iowa. Wells Fargo picks up the rebate checks from P.O. Box 310195 where the manufacturer directly mails the rebate check.
5. Deposit all payments from drug manufacturers into designated State accounts within one business day of receipt at Iowa Medicaid Enterprise (IME).
6. At least 90% of the total outstanding accounts receivable from the beginning of the quarter, plus invoices issued during the current quarter, must be collected by the end of the current quarter.

### Step 3: Check Entry

The steps for performing a check entry (in both the Iowa and Maine offices) and balancing checks received against invoices sent are described below.

- a. Open OnBase and go to the Point of Sale (POS) Checks queue.
- b. Open each check image and log the corresponding check information (check number, amount, deposit date, etc.) by double-clicking on the Log Check icon.
- c. OBRA checks are classified with a 41 and supplemental with a 43.
- d. The CCN is a 9 digit number that consists of the Julian date (05187) plus the number "5" plus the numerical number of that check for that specific date. For example, the first check you log will end in CCN 001 and the 15<sup>th</sup> will be 015.
- e. Check Description will always be Drug Rebate
- f. The On Behalf Of and Labeler Code fields are not required.
- g. Check Status will usually be Photostat (meaning it has already been deposited in the bank) unless the live check came directly to the Iowa Medicaid Enterprise (IME) or was returned from the bank for some reason. If this occurs, the status would need to be changed to deposit. An email must be sent to the Revenue department ([revcollcheck@dhs.state.ia.us](mailto:revcollcheck@dhs.state.ia.us)), and they will retrieve it from the safe. Then it can be mailed to the bank lockbox for deposit.
- h. Submit the check log form once completed.
- i. Double-click on the Save Check to Disk icon to save the image to the hard drive.
- j. Open the Drug Rebate Checks Spreadsheet and log: Date Received at IME, Date Deposited, Dollar Amount, Check Date, Check Number, Payer Name, Classification, and Postmark Date.
- k. There should be a Wells Fargo deposit page within one of the check image files. Go to File, as "Save As" that check and then go into the image and delete all of the other pages so only the deposit page remains. It needs to be emailed to rebate staff in Maine.
- l. Once all checks for that deposit date have been logged, email the images (saved to the hard drive) to rebate staff in Maine. Each check will need to be sent separately since the files are so big.
- m. Move the checks in the OnBase queue into the Completed queue by double-clicking on the Completed task icon.
- n. File the original copies.

Note: Occasionally, Point of Sale (POS) checks are scanned into the Miscellaneous Check queue by mistake. If this occurs, simply double-click on the Send to POS task icon and that image will be sent to the POS queue. Similarly, if a check that is not Drug Rebate is scanned into the Point of Sale (POS) queue, it can be rerouted back to revenue via the Return to General Checks task icon. The rest of this process is performed by personnel in Maine.

- o. Open the Visual Basic front-end used for loading check information into the database.
- p. Enter check number, amount, date of issuance, and issuing organization in the appropriate fields. Do this for every check.
- q. There should now be a list of all checks and monies received for the quarter.

#### Step 4: Account Balancing

- a. Once the checks have been recorded in the database the accounts must be balance to see if there are any discrepancies between what a manufacturer was invoiced for and what they actually paid. This is also where unpaid invoices will be discovered. If any issues are found they can be dealt with using the processes described in the next section, **Error! Reference source not found..**

The balancing process is described in the steps below.

- 1. Retrieve all invoices that were sent out to manufacturers for the quarter.
- 2. Bring up the list of all checks received in response to those invoices.
- 3. Correlate invoices mailed to checks received.
- 4. Record any discrepancies in payment and / or missing payments.

#### Step 5: Resolving Disputes

- a. A dispute occurs when discrepancies are found between amounts manufacturers were invoiced for and the payments received from those manufacturers. They also occur when a manufacturer does not send payment within 38 days of the invoice mailing date. For each kind of dispute contact with the manufacturer must be made. The processes for the two kinds of disputes are described in the following sections. Perform the following dispute resolution activities:
  - 1. Contact the manufacturer, in writing or by phone, within ninety (90) calendar days of receipt of a Remittance Advice Form containing disputed amounts to discuss the dispute and to present a preliminary response to the disputed items. Retain supporting documentation of resolved disputes for at least seven (7) years from the date of the resolution.
  - 2. If the dispute is not resolved within 150 calendar days of receipt of a disputed Remittance Advice Form, provide the manufacturer with drug utilization data. Include the zip code level data, pharmacy level data, sampling of pharmacy claims or historical trends on those items in dispute and other types of drug utilization data used by the manufacturer to identify disputed items.

3. Complete negotiations within 240 calendar days of receipt of a Remittance Advice Form with unresolved disputes.
  4. Refer disputes that remain unresolved after negotiations, to The Department of Human Services (DHS).
  5. Calculate the interest due, as specified by Centers for Medicaid and Medicare Services (CMS), on any disputed amounts
- b. Manufactured Dispute of Charges
1. When there is a difference between the amount the Point of Sale (POS) unit invoiced a manufacturer and the payment that manufacturer issued, it generally means they are disputing a charge. In some cases it may just be a simple error, but the resolution process is the same either way. The following steps are used to resolve these issues.
    - a. Set the dispute by contacting the manufacturer and request the details of why they are disputing a charge.
    - b. The manufacturer will explain why they are disputing the charge. Disputes are typically caused by, but not limited to:
      - OBRA 90 converting prices incorrectly.
      - Dosage amounts or packaging units being entered incorrectly.
    - c. Using the information provided by the manufacturer, verify and correct the error.
    - d. Contact the Provider who originally submitted the claim and ask them to re-submit it to the Point of Sale (POS) system using the corrected information.  
**NOTE:** The Point of Sale (POS) unit can do this on the Provider's behalf.
    - e. The re-submitted claim will process just like a new claim and an updated invoice will be sent to the manufacturer.
    - f. Create an audit of the dispute and resolution, including details of the error and the changes made to correct it.
- c. No Payment within 38 Days
1. If payment is not received from a manufacturer within 38 days of the invoice mailing date, the Point of Sale (POS) unit has a process for following-up with them to ensure payment. These steps are listed below.
  2. If no payment is received from a manufacturer within 38 days, then the Point of Sale (POS) unit sends the first follow-up letter to the manufacturer.
  3. If the manufacturer responds to the first letter and makes payment, perform the steps described in the **Error! Reference source not found.** section.
  4. If no payment is received after the first follow-up letter, then the Point of Sale (POS) unit will send a 2<sup>nd</sup> follow-up letter.
  5. If the manufacturer responds to the second letter and makes payment, perform the steps described in the **Error! Reference source not found.** section.
  6. If no payment is received after the second follow-up letter, then refer to OBRA 90 for assistance.
- d. Calculating Interest on Late Payments

1. The Point of Sale (POS) unit is responsible for making sure that interest is paid on any late payments. The manufacturer should know they are required to pay interest, but if not, they need to be sent an interest due letter. After the original invoice is created, an invoice of interest is created 38 days after the postmark of original invoice. To calculate the interest rate to be applied to disputed rebate amounts, use the formula described below:
  - a. Total the yield of each weekly auction of 90-day Treasury bills during the period for which interest will be charged.
  - b. Divide the total from step 1 by the number of rates to determine the average interest rate.
  - c. Multiply the average interest rate from step 2 by the unpaid rebate amount to obtain the amount of interest due.
  - d. Divide the amount of interest due from step 3 by 365 days to obtain the daily amount of interest due.
  - e. Apply the following Formula:  
$$\text{daily\_amt\_interest\_due} = \text{amount\_of\_interest\_due} / 365$$
  - f. Multiply the daily amount of interest due from step 4 by the number of days that the unpaid rebate amount is outstanding to obtain the total interest due.  
**Important:** The first day of interest starts on the 38th day after the State mails the utilization data to the labeler, as evidenced by the postmark.
  - g. Once interest is received the interest payment needs to be recorded for the Centers for Medicaid and Medicare Services (CMS) 649R report.

#### Step 6: Supplemental Rebate Agreements

1. Negotiate state supplemental rebate agreements with pharmaceutical manufacturers in a format approved by The Department of Human Services (DHS).
2. Provide The Department of Human Services (DHS) with access to all supplemental rebate agreements and related documentation.
3. Ensure that supplemental rebates are more than the federal rebates and in compliance with federal law.
4. The terms of the supplemental rebate agreement with each pharmaceutical manufacturer shall be confidential and shall not be disclosed except to The Department of Human Services (DHS).
5. Provide supplemental rebate calculations including National Drug Code (NDC) information necessary to invoice pharmaceutical manufacturers within 30-45 days after receipt of the Centers for Medicaid and Medicare Services (CMS) Federal Rebate file.
6. Submit the supplemental rebates to Department of Human Services (DHS) in the format and schedule approved by Department of Human Services (DHS).
7. Provide a Drug Rebate System to manage and support the supplemental drug rebate program.
8. Assist DHS in dispute resolution activities with pharmaceutical manufacturers as they pertain to supplemental rebate calculations.
9. Subject to Department of Human Services (DHS) approval, manage all aspects of processing rebate agreements.

10. On a quarterly basis, invoice participating manufacturers based on their utilization activity and collect all supplemental rebates following procedures established by Department of Human Services (DHS)/as agreed to by the parties. Deposit the supplemental rebates into the Department's recoupment account according to procedures established by Department of Human Services (DHS).

11.

Step 7: Reports

1. Quarterly report to Department of Human Services (DHS) on the drug rebate information required for the Centers for Medicaid and Medicare Services (CMS) 64.9R report
2. Monthly report to Department of Human Services (Department of Human Services (DHS) showing, by quarter, the total invoiced, amounts collected, and unpaid amounts of drug rebates
3. Quarterly file to Centers for Medicaid and Medicare Services (CMS) of drug utilization data invoiced to drug manufacturers for the quarter
4. Monthly and ad hoc report to Department of Human Services (DHS) on the performance of the PDL and supplemental rebates
5. Weekly savings report to Department of Human Services (DHS) indicating the savings associated with the PDL and supplemental rebates
6. Quarterly drug rebate reports and bills to manufacturers on rebate details and amounts due

**Forms/Reports: None**

**RFP References: 6.3.3, 6.3.3.1, 6.3.3.2, 6.3.3.3, 5.3.2.5, 5.3.2.5.1, 5.3.2.5.1, 5.3.2.5.2, 5.2.2.5.2.1, 5.3.2.5.2.2, 5.3.2.5.3, 5.3.2.5.4, 5.3.2.5.4.1, 5.3.2.5.4.2, 5.3.2.5.5**

**Interfaces: POS, ONBASE, MMIS, CMS**

**Attachments: None**